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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 000352

SIPDIS

STATE FOR SA/INS AND DS/IP/SA
LONDON FOR POL - RIEDEL
TREASURY FOR OFAC - NEWCOMB

E.O. 12958: DECL: 02/26/2013

TAGS: [PTER](#) [PINS](#) [ASEC](#) [CASC](#) [BEXP](#) [NP](#)

SUBJECT: NEPAL: COCA-COLA FACES CONTINUED MAOIST EXTORTION

REF: A. (A) 02 KATHMANDU 2440

- [1](#)B. (B) KATHMANDU 0138
- [1](#)C. (C) KATHMANDU 0311
- [1](#)D. (D) KATHMANDU 0262

Classified By: AMB. MICHAEL E. MALINOWSKI. REASON: 1.5 (B,D).

Summary

[1](#)1. (SBU) Nepal's Coca-Cola bottler is continuing to receive extortion demands from the Maoists, despite the cease-fire and a claimed commitment by Maoist leader Prachanda to stop such practices (Ref C). In coordination with Coca-Cola's Country Manager and its corporate offices in Atlanta and Bangkok, the Embassy is executing an action plan aimed at ending the continued extortion. End summary.

Threats to Coca-Cola in Nepal

[1](#)2. (C) In December 2002 and January 2003, the Maoists sent extortion letters to Coca-Cola's local representative in Kathmandu, demanding USD 38,000 from the company, and containing implied threats of further violence at company facilities (Refs A and B). (Note: The Maoists have set bombs at Coca-Cola facilities here on three separate occasions since 2001. End note.) In a January 22 meeting with the RSO, DCM, and econoff, Coca-Cola security officials presented a strategy they described as "defer and deflect," in which the bottler would spin out discussions with the Maoists without ever paying the insurgents any money. Emboffs suggested a public relations campaign calling attention to the extortion activities, highlighting the potential damage to the local economy if foreign investors and employers like Coca-Cola leave Nepal. The Coca-Cola security officials undertook to discuss the idea with company public relations officials.

Extortion: A Grandfather Clause?

[1](#)3. (C) One week after the meeting, the Maoists declared a ceasefire with the Government of Nepal (GON). Apparently stung by public criticism that Maoist extortion persisted despite the ceasefire, on February 16 insurgent leader Prachanda announced that he had instructed his cadre to desist from collecting any funds other than "voluntary donations" (Ref D). On February 25, however, N.N. Singh, Coca-Cola's Country Manager, reported to Emboffs that two Maoists had come to his office again on February 22 to pursue their earlier demands. (Note: One of the visitors Singh said he has met with several times; the other he had not seen before. End note.) Singh said that when he raised Prachanda's directive to his cadre to cease extortion, his interlocutor replied that the demand remained valid because it predated Prachanda's Feb. 16 order. In fact, the Maoist claimed that the ceasefire had actually raised his local funding requirements, since he now must pay to feed and house the many Maoist cadre streaming into Kathmandu. Singh said he told the Maoist representatives the demand would have to be referred to corporate headquarters in Atlanta, and asked them to contact him on February 28 for a formal response.

[1](#)4. (C) Singh told emboffs he knows that Coca-Cola will not pay, and is worried about his Feb. 28 appointment with the Maoists. He doubts they would use violence against him during the ceasefire, but fears they may exact revenge after the ceasefire ends (which he apparently believes will be just a matter of time). When asked if he had notified the GON of the demand and requested police protection, he noted ruefully the last time he had done so the drunken carousing of the five policemen assigned to his house had kept him up all night. He added that the Maoists had themselves said they prefer not to visit him at home anyway because of his proximity to a U.S. Embassy house. (Note: Mr. Singh's residence is on the same street as that of the DATT. End note.) He asked that the Embassy pass a message to the Maoists, possibly through Physical Planning Minister Narayan Singh Pun, who is coordinating GON efforts to begin

negotiations, to desist from extortion. Emboffs undertook to include this suggestion in its ongoing consultations with regional Coca-Cola officials about possible future actions.

Embassy Action Plan

15. (C) On February 25 Lee Winfield, Coca-Cola's Director of Public Affairs and Communications for South East and West Asia, contacted econoff to relay approval of the public relations strategy outlined in Para 2 above. Econoff, noting Singh's visit earlier in the day, proposed a three-part strategy for Embassy action: a) contacting Minister Pun to urge him to raise the issue with the Maoist leadership; b) sending a parallel message to other Maoist intermediaries; and c) should these efforts fail to prevent continued extortion, issuing a public statement condemning Maoist threats to U.S.-affiliated businesses. Winfield endorsed the strategy with the support of Coca-Cola's corporate offices in Atlanta, with the proviso that Coca-Cola not be specifically mentioned in any public or private communication.

At Ambassador's Request, GON Support

16. (C) The Ambassador called Minister Pun on February 26 to request that the GON raise the continued extortion of American businesses as a point of concern with the Maoist leadership. The Ambassador did not mention Coca-Cola, but emphasized that threats to U.S. business are taken seriously by the USG, which continues to review the possibility of adding the Maoists to one of its terrorist lists. Pun committed to raising the issue during a February 27 meeting with Maoist representatives.

Working with the Chambers of Commerce

17. (SBU) At a February 27 breakfast with the Nepal-USA Chamber of Commerce, the Ambassador asked other businessmen if they were continuing to receive extortion demands. Most said no, but a few, while not acknowledging direct threats, indicated that the practice is continuing. Noting the Maoists' continued need for funds, some speculated that the demands might resume shortly. The participants all said they believed a general statement from the Embassy condemning extortion (but not mentioning any company or individual names) might prove beneficial. The members' also agreed with the Ambassador's suggestion to raise the matter with other bilateral Chambers of Commerce and their respective embassies and explore the possibility of issuing a joint statement condemning extortion. The Ambassador has raised the problem with the British and Indian Ambassadors and with the head of the Nepal-India Chamber of Commerce.

Comment

18. (C) It is difficult to determine whether the extortion demands are persisting with the complicity of the Maoist leadership, or whether this is an independent local initiative. Whatever the source of the demands, we are hopeful that Pun's message will succeed in turning them off. If not, we are prepared, with Coca-Cola's blessing, to publicize the Maoists' hypocrisy.
MALINOWSKI